

Crop Prices . . . Ozone & Food Safety . . . Wetlands Protection . . . Global Meat Production & Trade

Large Supplies Color Markets

Large U.S. supplies in 1998/99 will reduce season-average farm prices for most field crops from 1997/98, based on USDA's first 1998/99 forecasts of U.S. and world supply and demand. After surging to record highs during 1995 and 1996, grain prices are forecast to return to the levels of the early 1990's, while soybean prices will return to levels last seen in the 1980's. The slump also reflects weaker foreign demand. Although lower prices will encourage gains in domestic consumption in 1998/99, export growth will be relatively limited because of larger supplies in some competing countries and weak import demand resulting from the Asian economic crisis.

Red meat and poultry production will remain large in 1999, about unchanged from 1998. Increases in pork and broiler production will likely offset a sharp decline in beef production. Primary market prices for hogs and poultry are expected to be about the same as in 1998, while cattle prices rise. Despite stagnant hog and poultry prices in 1999, producer returns are expected to improve as feed costs decline.

Growth Slowing for U.S. Red Meat & Poultry Exports

U.S. red meat—beef and pork—and poultry meat exports are expected to grow about 2 percent in 1998 and 1999, a sharp slowdown from the double-digit rates that have prevailed in the 1990's. Production is expected to increase about 3 percent in 1998 and remain about the same in 1999. Reduced demand in Asian markets, especially Japan and Korea, will lead to significantly reduced U.S. meat exports to the region this year. However, strong demand in Russia and Mexico will help U.S. meat exports continue to grow. In 1998, Russia is projected to increase its total meat imports to about 2.5 million tons, and Mexico's meat consumption is expected to grow faster than its production in 1998, resulting in a 15-percent increase in meat imports.



Livestock Sectors Restructure in CEE/NIS Countries

One of the most dramatic adjustments brought on by liberalization of the economies of Central and Eastern Europe (CEE) and the Newly Independent States (NIS) has been the virtual free fall in their livestock sectors. In that liberalization, consumer and producer subsidies for meat were eliminated, and producers were exposed to new international competition. Consumer demand plummeted, and producers were increasingly squeezed between falling output prices and skyrocketing production costs. The result was a drastic decline in livestock inventories of all kinds.

The situation is beginning to change, however, in some of the transition economies, particularly in the CEE countries. In general, the restructuring process is quite far along in Poland and Hungary, but remains incomplete in most of the NIS countries. A major impediment to the complete restructuring of the region's livestock sectors is the poor development of institutions needed to support markets, including clearly defined property rights, bankruptcy procedures, enforcement of contracts, a credit system, and market infrastructure.

Enhancing Food Safety With Ozone

Ozone recently gained approval for use in the U.S. food processing industry as a disinfectant wash or spray to help rid food of dangerous pathogens (bacteria, parasites, fungi, and viruses). When dispersed into water, ozone (a form of oxygen) can kill bacteria—like *E. coli*—faster than traditionally used disinfectants, such as chlorine. Most bottled water is safely treated with ozone, and nearly 200 municipal water treatment plants in the U.S. employ ozone to help cleanse their drinking water. The adoption of ozone technology in food processing depends upon economic competitiveness with existing and emerging technologies that sanitize food, as well as its effectiveness in enhancing food safety.

Agriculture & Wetlands: Is "No Net Loss" Achievable?

Wetlands have figured prominently in policy debates since the mid-1970's; public benefits of keeping wetlands in their natural state often run counter to private interests in converting wetlands. Federal wetlands programs have evolved from incentives for conversion, to regulatory programs for conservation and incentives that encourage restoration and retention.

Given the difficulty in estimating public benefits and private costs, the best use of wetlands is uncertain. "No net loss" of wetlands is a Federal policy goal that emerged in 1989 and that has garnered bipartisan support, reflecting a compromise between those who believe that too few wetlands have been converted and those who believe that too many have been lost. The U.S. appears to be approaching achievement of "no net loss" of wetland acreage in the 1990's. But the goal may not be sustained if economic conditions spur additional wetland conversion, if wetland provisions of the Clean Water Act are weakened, if the link between wetland preservation and farm program payments is diminished, or if Federal funding for wetland restoration programs is reduced or eliminated.